

WASHINGTON (October 27) – Congressman Spencer Bachus (AL-6) today voted in favor of legislation that would remove an expensive regulatory burden on local governments and small businesses and help encourage job creation.

The House voted on a bipartisan basis to repeal an IRS rule requiring state and local governments to withhold 3% of payments made to private sector contractors and suppliers. Congressman Bachus is a sponsor of the bill.

The IRS regulation would impose high accounting and paperwork costs on local governments and undermine job creation by severely squeezing the cash flow that businesses depend on to operate and employ workers.

“This IRS tax rule is a costly mandate to place on local governments and small businesses during a time of tight budgets and tight margins. In my meetings in Alabama, I’ve been told that the 3% withholding requirement would add to the cost of government and divert money from business investment and job creation. To get the economy going, we need to concentrate on reducing costs instead of raising them,” said Congressman Bachus.

The withholding rule was scheduled to take effect at the start of this year, but was delayed because of concerns about its implementation and costs. The legislation would permanently repeal the rule to provide certainty to local governments and business providers.

The legislation will next be sent to the Senate.

